

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7294

BILL NUMBER: HB 1400

DATE PREPARED: Jan 9, 2002

BILL AMENDED:

SUBJECT: Gasoline Tax Formula.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill replaces the per gallon tax on the use of gasoline with a one cent per mile tax, effective January 1, 2003. It provides for the annual conversion of the per mile tax to a per gallon rate based on a formula involving the annual motor vehicle miles of travel for Indiana and the annual total certified taxable gallons of motor fuel. It provides for an annual adjustment to the per gallon conversion rate for inflation. The bill provides that the per gallon conversion rate may not be reduced below 15 cents per gallon in 2003 or, after 2003, below the conversion rate of the previous year. It requires two cents of the per gallon conversion rate collected for each gallon of gasoline to be transferred to the State Highway Road Construction and Improvement Fund (SHRCIF).

Effective Date: July 1, 2002.

Explanation of State Expenditures: For the Department of Revenue there will be costs incurred associated with the change from a per gallon tax to a cents per mile tax. The specific impact of this part of the proposal is not known at this time, but will be updated upon receipt of data from the Department of Revenue. The fund affected is the State General Fund.

Explanation of State Revenues: *Summary:* This proposal will result in an increase in gasoline tax revenue estimated at \$179.76 M in FY 2003 and \$206.01 M in FY 2004. This represents an increase in collections of 35.7% (based on a tax rate increase of about 37.3%) from the estimated collections for FY 2003 of \$503.2 M. The funds affected by the increased revenue are the Motor Vehicle Highway Account, the Fish and Wildlife Fund, and the Highway Road and Street Account.

This proposal will result in an increase of revenue transferred to the SHRCIF by an estimated \$32.1 M in FY 2003 and \$32.7 M in FY 2004. Currently, one cent is transferred to the SHRCIF.

The entities affected by this proposal include: Department of Transportation, Bureau of Motor Vehicles, State Police (all of whom receive distributions from the Motor Vehicle Highway Account), Department of

Natural Resources, and local units who receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account. This includes cities, towns, and counties. In addition, the Department of Transportation receives a distribution from the Highway Road and Street Account.

Background: This proposal attempts to capture the gasoline taxes lost because of more fuel efficient vehicles. The formula for the calculation of the tax involves the Indiana vehicle miles traveled and the gallons of gasoline taxed. This proposal replaces the per gallon of gasoline purchased standard of taxation with a cents per mile traveled standard while providing a methodology of converting the cents per mile standard to a per gallon rate so that existing reporting and collection systems may continue to be utilized until a new system for reporting and collecting a per mile tax can be developed.

The table below shows the estimated impact of this proposal.

Cents per mile tax, 2002		2001	2002	2003	2004
VMT: motor vehicle miles of travel, FHA		73,763,000,000			
Taxable Gallons of motor fuel, DOR		4,237,076,257			
AMPG: avg miles per gallon (ann. Change:)	1%	17.40894	17.58303	17.75886	17.93645
Cents per mile		0.01	0.01	0.01	0.01
Tax: Cents per mile x AMPG (round to 3 digits)		0.174	0.176	0.178	0.179
CPI, 1997		160.5			
CPI, current year (projected at:)	2.50%	177.1	181.5	186.1	190.7
Percent Change, rounded, +1		1.103	1.131	1.159	1.188
Tax, adjusted for CPI		0.192	0.199	0.206	0.213
Change from current rate		0.042	0.049	0.056	0.063
DOR, revenue per penny		31.2	31.8	32.1	32.7
Revenue impact, millions		\$ 131.04	\$ 155.82	\$ 179.76	\$ 206.01
Half year revenue impact		\$ 65.52	\$ 77.91	\$ 89.88	\$ 103.01

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue, Department of Transportation, State Police, and the Bureau of Motor Vehicles as recipients of distributions from the Motor Vehicle Highway Account into which part of the gasoline tax is deposited. Department of Natural Resources as a recipient of the Fish and Wildlife distribution.

Local Agencies Affected: Those units which receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account.

Information Sources: Larry DeBoer, 232-9844; Federal Highway Administration data; Department of Revenue data.